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McLean Site Pushed as Embassy Center

By Jim Hoagland
Washington Post Staff Writer

A squeeze on profits is as welcome to successful Texas businessmen as George Wallace would be at a black power conference. Thus, it came as little surprise when the Dallas corporation that owns McLean Gardens, a large apartment development here, decided recently to dispose of the property.

What created a stir was the method of disposal.

The Fairmac Corp., owner of the development, has proposed that the Government, which built McLean Gardens at a cost of \$11 million in 1943, buy back the property for \$19 million and turn it into an international center for foreign embassies.

The scenario of the proposal was tailor-made for Rep. H. R. Gross (R-Iowa), who has described the Johnson Administration's three-year-old idea of an international enclave as a scheme promoted by "the fast-buck boys who stand to be enriched by it."

The cast of characters involved in McLean Gardens includes:

- Two Dallas millionaires, Leland Fikes and Leo F. Corrigan, who originally purchased McLean Gardens. Both have been listed as members of the President's Club, backers of President Johnson who put up a minimum of \$1000 each to join.

- Washington lawyer Thomas G. (Tommy) the Cork) Corcoran. Gross identified the former New Dealer on the House floor Aug. 21 as a "highly paid Washington lobbyist, with White House and Texas gas and oil connections" who represents the property's owners.

- Beleagued Washington-Philadelphia financier Jerry Wolman, whose proposals for developing a separate embassy enclave have been opposed by the McLean Gardens group.

The McLean Gardens proposal would mean displacing up to 3000 persons from moderate-income housing. It has excited little enthusiasm from embassies approached.

Still, the State Department says it is interested.

Two Washington residents have fed Gross most of his information. They are John Immer, president of the Federation of Citizens Associations and J. George Frain, a Washington publicist who has been assisting Immer.

Immer and Frain have consistently opposed all proposals for a large international center and have been promoting dispersal of embassies onto smaller tracts, such as the Wolman site, and others in Northwest Washington.

They have not produced any proof of wrongdoing. Backers of the proposal, however, have been reluctant to discuss it with newsmen.

The man in charge of McLean Gardens and the vice president of Fairmac Corp. Walter J. Hodges, returned repeated calls from a Post reporter only after a four-day delay, and then referred all questions to the firm's lawyer, John J. Wilson.

Wilson asked that all questions be dictated to his secretary. The next day he called back and said he was "under no obligation to tell you (The Washington Post) a damn thing." Corcoran did not return repeated phone calls.

McLean Gardens is at 3811 Porter st. nw. on the west side of Wisconsin Avenue, above Newark Street.

Long before an apartment development was envisioned, President Warren G. Harding sharpened his golfing game at a course there. Evelyn Walsh McLean, a prominent Washington socialite, entertained innumerable dignitaries at her stately Friendship mansion, which stood on the site.

During World War II, the Government paid \$1 million for the site, and spent \$10 million building 31 apartment structures with 720 units and nine residence halls with a total of 1200 rooms for war workers. At war's end, the Government put up for sale its six housing complexes in the

Washington area, including McLean Gardens and the vast Fairlington project in Arlington, which contained 579 buildings and 3439 apartments.

Corrigan, a Dallas real estate man whose holdings, by his own estimate, exceed \$750 million, joined Fikes, another Dallas man who made a fortune in the Texas oil fields, to form Fairmac to bid on the projects.

They got McLean Gardens, which cost \$11 million to build, Fairlington, which cost \$35.4 million, and a project in Brentwood, Wash., which cost \$950,360 in a package for \$43.6 million—\$3.9 million less than they cost the Government to build.

Fairmac put \$4 million down, and wrapped the balance into one 28-year mortgage, held by the Government, at 2½ per cent a year interest.

These terms caused then-Sen. A. Willis Robertson (D-Va.) to complain of the "favorable" terms given Fairmac and a Senate committee summoned Corrigan to testify about the deal in 1948. But nothing resulted from the hearings.

In 20 years, the corporation has paid the Government about \$24.2 million of the principal, meaning it has eight years left to pay off the remaining \$19.4 million.

The mortgage is the key to the proposal.

The corporation would swap all but two acres of the original 32-acre site to the Government for the balance of the mortgage, leaving Fairmac clear title to Fairlington, which may be redeveloped, and the property in Brentwood.

Corporation records on file at the D.C. Recorder's office show that the president of Fairmac is Catherine Fikes, the widow of Leland Fikes, who died last year. Mr. Fikes bought out Corrigan's half-interest "several years ago," Corrigan said in a telephone interview from Dallas.

"We decided the properties should be under single ownership," Corrigan said, "so we bid against each other and came up with the same figure. We settled it, by flipping a coin. He won and bought out my interest."

The Government would get the land for \$14.75 a square foot—a bargain, Fairmac contends—and would get rid of the extremely low-interest mortgage.

It would also be taking off Fairmac's hands a piece of property on which land taxes doubled this year after a reassessment. Fairmac will pay \$124,813 in land taxes this year and about the same amount in taxes on its buildings.

The D.C. real estate tax office values the 32-acre site at \$4.3 million for the land and \$4.2 million for the buildings under its present R-5-A (low-density housing) zoning.

Sources in the tax office report that R-5-A land in the McLean Gardens area is selling for about \$5 to \$6 a square foot.

But if the tract were "up-zoned" to R-5-C (a higher-density zoning that would permit larger high-rise buildings) the sale price would jump to about \$17 to \$19 a square foot.

Thus, the market value of the land depends on a zoning change Fairmac would rather let the Government try to get. Much of the land around McLean Gardens is zoned R-5-C.

The tax office actually rates McLean Gardens as an "under-improvement," meaning that it has not even been built up to the floor area ratio that R-5-A allows. Doing so would require extensive remodeling.

Added to the squeeze on this year's profits at McLean Gardens is a \$1.4 million payment on the mortgage covering the three properties. About \$600,000 of the payment comes from the \$1.1 million profit Hodges says McLean Gardens netted last year.

And underscoring these financial facts of life, which show the advantage of the enclave proposal to Fairmac, is the corporation's assertion that it intends to redevelop the property if the Government declines its offer.

For the Government, the corporation argues, the advantages are a good site, at what the firm calls comparatively low price, and a way to outflank Congress, which balked at the originally proposed international center near Washington Circle.

John Immer, in a letter Gross inserted in the Congressional Record, charged that Corcoran has presented the plan "at the White House" and has already obtained, "full approval" for it.

Harold Pace, the State Department officer in charge of negotiations for an international center site, denies that the Administration has given "final approval" to the McLean Gardens proposal.

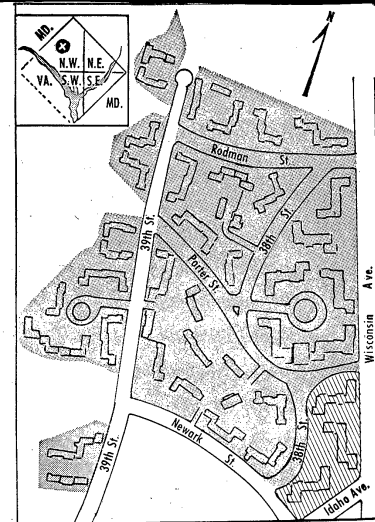
"It has been approved as a possibility and something which we should consider," Pace said. "We seriously consider any site that has possibilities."

A spokesman for the French embassy, one of the embassies Wolman has been wooing for his 16-acre site at 4200 Massachusetts Ave. nw., said the State Department had "hinted" that McLean Gardens would be cheaper than settling on Wolman's tract. The spokesman asked he not be named.

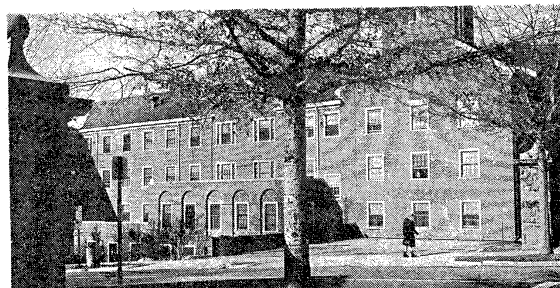
Wolman is reportedly asking about \$20 a square foot for his property, which is already zoned for chancery buildings, as against the \$14.75 price—before demolition costs—offered by McLean Gardens.

Other countries that have been mentioned as possibilities for the Wolman tract also report that the State Department has discussed the McLean Gardens site with them, as well as the Bureau of Standards land on Connecticut Avenue.

The 70-acre Bureau of Standards site, which would cost the Government nothing to acquire, is reported



The Washington Post
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SITE—The darker shaded area covers the portion of the McLean Gardens property that is being offered to the Federal Government for \$19 million. The smaller area that is diagonally shaded at lower right covers the portion that McLean Gardens' owners would retain.



The Washington Post
One of the units of McLean Gardens. The development can house about 3000 persons.

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by authoritative sources to be nearing selection as the major international center.

The Government could grant the land to less affluent nations or sell it at low prices, as well as providing about eight acres for a site for the Organization of American States. This makes the competition for the remaining countries even more fierce.

The controversy came to a boil Aug. 2, during a Zoning Commission hearing on Wolman's enclave proposal. Eugene F. Ford, who identified himself only as a Washington realtor, appeared and opposed rezoning Wolman's land for embassies.

"There are many meetings being held in the executive branch of the Government about this problem and possible solutions . . . other than the one that has been proposed," Ford said.

Wolman's proposal would draw off "white affluent Governments," leaving the others to be "ghettoized" and making it "more difficult to establish an international center," he continued.

It was learned after the hearing that Ford was representing McLean Gardens.

McLean Gardens critics Gross, Frain and Immer, joined during that month to cite this appearance as an example of "hidden influence."

Fairmac's Hodges, in the brief conversation he had with a reporter before referring all questions to his lawyer, probably summed up the charges and countercharges, the financial power plays and personalities involved best when he said, "It certainly is a confusing situation."

Then he added, "But we think we're close to working something out. I'd hate to see anything in the newspapers about it ruin this."